

VZCZCXRO4341  
RR RUEH DU RUEHJO RUEHMR  
DE RUEHLG #0019/01 0061112  
ZNR UUUUU ZZH  
R 061112Z JAN 06  
FM AMEMBASSY LILONGWE  
TO RUEHC/SECSTATE WASHDC 2194  
INFO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY  
RUEHLO/AMEMBASSY LONDON 0178  
RUEHFR/AMEMBASSY PARIS 0070  
RUEHJO/AMCONSUL JOHANNESBURG 0173  
RUEATRS/DEPT OF TREASURY WASHDC 0400  
RUEAIIA/CIA WASHDC

UNCLAS SECTION 01 OF 02 LILONGWE 000019

SIPDIS

SENSITIVE  
SIPDIS

STATE FOR AF/S G. MALLORY  
TREASURY FOR INTERNATIONAL AFFAIRS/AFRICA/BEN CUSHMAN  
STATE FOR EB/IFD/ODF LINDA SPECHT  
STATE PLEASE PASS TO MCC FOR KEVIN SABA  
PARIS FOR D'ELIA  
JOHANNESBURG FOR FCS

E.O. 12958: N/A  
TAGS: [EAGR](#) [ECON](#) [EAID](#) [MI](#)  
SUBJECT: NORTHERN MALAWI'S CAPITAL OUTLAWS GRAIN TRADING

REF: 2005 LILONGWE 946

LILONGWE 00000019 001.2 OF 002

-----  
SUMMARY  
-----

11. (SBU) The city assembly of Mzuzu, Malawi's northern regional capital, recently voted to ban private maize sales. The city's chief executive described the ban to us as a sop to popular sentiment and assured us that it would not be enforced. In any case, the incident illustrates the prevalence of Malawi's suspicion of open grain markets and its irrational reliance on the parastatal ADMARC to keep the country in cheap maize. At bottom, these attitudes, together with easy access to food aid, are important in supporting the GOM's counterproductive food security policy. End summary.

-----  
MZUZU ASSEMBLY BRAVELY FACES THE MENACE OF BAREFOOT VENDORS  
-----

12. (U) During a January 3 meeting with traditional authorities (the area's "chiefs") and other constituents, Mzuzu City Assembly acted to prohibit the sale of maize by any merchants apart from the parastatal ADMARC. (ADMARC is a vestige of the Kamuzu Banda era, when it was the sole purchaser and re-seller of agricultural commodities, both crops and inputs, and thereby regulated virtually the entire economy of Malawi.) The Assembly cited a proliferation of "unscrupulous traders," whom it accuses of buying the heavily subsidized maize at ADMARC depots to resell on the street. The Assembly also voted to prohibit children from buying maize, a measure meant to prevent vendors from hiring child proxies to stand in the long lines outside ADMARC depots. The Mzuzu Assembly's actions garnered headlines in both of Malawi's major daily newspapers. Ironically, on the day the measure was passed, the Mzuzu ADMARC depot reportedly had for several days had no stocks of maize to sell. Mzuzu is Malawi's fourth largest city and the administrative and commercial center of the country's Northern Region.

13. (SBU) When asked by Embassy staff about the ban, Mzuzu

Assembly Chief Executive Samson Chirwa said that the Assembly had no intention of enforcing it. (That does not mean, however, that vendors will be immune from harassment or abuse.) Evidently the constituents at Tuesday's meeting had demanded action, and the Assembly agreed to a ban as an expedient. As at least one civil society organization has pointed out, city assemblies in Malawi have no authority to restrict or prohibit commerce--indeed the Malawian Constitution guarantees a right to engage in economic activity. Several of the vendors (typically barefoot women by the side of the road, with a single bag of maize and a pail for measuring) were quoted in the press as claiming that they are buying maize trucked in from Tanzania and not reselling ADMARC grain.

-----  
FAITH IN ADMARC AND 17-KWACHA MAIZE  
-----

14. (SBU) While it is doubtful that the Mzuzu City Assembly will stop many vendors from selling maize, the incident is an interesting illustration of the average Malawian's thinking about market economics, which in turn goes some way toward expaining the GOM's peculiar approach to food security. Many--probably most--Malawians are convinced that there is a "right price" for maize: the ADMARC price of MK17/kg. Anything above that constitutes "unscrupulous trading." That even people of the political class believe this is evidenced by the regular pronouncements by various Cabinet ministers. Meanwhile, maize is currently selling for twice that or more on the private market.

15. (SBU) Yet the public, the press, and distressingly many politicians believe the long lines of buyers outside ADMARC sales points are evidence not of underpriced maize, but of

LILONGWE 00000019 002.2 OF 002

hunger in the countryside. This is not to say that there is no hunger in the countryside, but the sizable food-insecure population here has, by definition, neither home-grown food nor money to buy food at any price. Predictably, ADMARC's stocks, when they come, sell out immediately, and much of the cheap maize gets resold at market prices, at least some of it across Malawi's borders. ADMARC has accordingly had to ration maize sales, first to 50 kg per person per sale, then 25, and most recently 12.5.

-----  
COMMENT: COMFORT IS THE MOTHER OF INERTIA  
-----

16. (SBU) Despite endless exhortations from food aid experts to address food security separately from pricing, the prevalent GOM approach is to take the opposite tack: guarantee food security by guaranteeing infinite amounts of cheap maize to everyone. In practice, this approach misses the subsistence farmers who become destitute when it fails to rain. (It is those destitute and overburdened families who benefit from the humanitarian programs operated under WFP and GOM auspices, programs virtually ignored by the politicians due to their single-minded focus on ensuring ADMARC grain.) It does not miss urban residents who would rather not pay market prices.

17. (SBU) Cheap ADMARC maize has obviously become an expectation, to the extent that most policymakers view it as a political necessity. Indeed, most politicians miss the plain economic reality that plentiful and cheap ADMARC maize prevents markets from working smoothly by providing exactly the wrong incentives, thereby increasing, not decreasing, Malawi's vulnerability to food shortages. In the end, it hardly matters to them, since the ready availability of food aid and budget support cushions them from the consequences of their persistently broken policies. It will be tough and

perhaps impossible to fix the situation by privatizing ADMARC (a major World Bank conditionality), given the convenience of the present system and the huge public affection for the venerable parastatal.

EASTHAM